



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
KEVIN W. CONCANNON, DIRECTOR

April 7, 2008

Hawk-i Board Members

Re: **Evaluation Committee Recommendation**

RFP FHWS-08-17: Administrative Services for the Healthy and Well Kids in Iowa (*hawk-i*) Program

Dear Members of the Board:

On December 17, 2007, the Department of Human Services issued the above-referenced RFP seeking a third party administrator for the *hawk-i* program. Following the release of that RFP, the Department established an evaluation committee consisting of the following:

Randall Clemenson, Bureau Chief, Medical Services Systems and DHS Data Warehouse
Vicki McInroy, Program Planner, TANF-related programs
Bethany Mengel, Medicaid Program Manager
Anna Ruggle, *hawk-i* Policy Specialist

The committee was represented through the process by Jon Neiderbach, the issuing officer for this RFP, and Brad Horn of the Attorney General's Office.

Four vendors submitted bids in response to the RFP. The Department wishes to express its appreciation to the four bidders, Health Management Systems ("HMS"), MAXIMUS, Noridian Administrative Services, LLC ("Noridian"), and Policy Studies, Inc ("PSI"). Each bidder submitted thoughtful bids in response to the stated need, and the Department was the beneficiary of a strong field of candidates.

COMMITTEE RECOMMENDATION:

The Department hereby recommends that the Board award the third party administrator contract to Policy Studies, Inc.

RFP Process

As the Board is aware, the first effort to competitively procure a third party administrator resulted in an appeal and a decision by the Director to withdraw and cancel the RFP. Many process improvements were implement in the Department's second competitive procurement effort. The process followed in this competitive procurement provided unique opportunities for bidders to present and explain their potential solutions. The Department made unparalleled efforts to make sure the process was fair, impartial, and responsive to the bidder's needs. This procurement process included:

- An opportunity for bidders to note problematic contract terms and to offer different or additional terms while at the same time identifying the financial impact of contract language changes;

- A discussion period that identified for each vendor areas in which the vendor's bid had been scored below average and an opportunity for the vendor to submit additional information to support perceived deficiencies; and
- An opportunity for the bidders to submit a best and final offer after considering the feedback provided so that the vendors could provide the best financial fit for the Department's stated needs.

Every effort was made to make the process fair and impartial and to not provide unfair advantage to any bidder. Following publication of the RFP on December 17, 2007, the Department held a bidders conference that was attended by all of the ultimate bidders. Shortly thereafter, the Department entertained written questions from the bidders and either clarified issues or made minor adjustments to the RFP in light of the concerns raised. Bidders submitted bids in early February.

Evaluation Committee

The evaluation committee met a total of nine times throughout this evaluation process. The committee first individually read and scored each bid. Thereafter, the committee met to discuss thoughts about individual bidders, rescored bids in light of the group's thoughts, and ultimately created a consolidated score for each bid.

Initial "Competitive Range" Scoring

The initial team scoring results were:

Initial Consolidated Grand Totals			
Bidder	Cost Proposal Points	Technical Proposal Points	Total Points
Noridian	33.17	102.75	135.92
PSI	37.33	99.25	136.58
Maximus	37.71	101.5	139.21
HMS	49.73	105.75	155.48

The initial consolidated scores reflected that all bidders appeared to be competitive from a technological perspective, and one bidder's cost proposal was far less expensive than the others. Rather than excluding bidders at this point, the committee determined that all four bidders were within the "competitive range" and, therefore, requested that all bidders make an oral presentation to the evaluation committee for their bid proposal.

Oral Presentations & Best and Final Offer (BAFO)

Oral presentations occurred on March 7, 2008 and March 11, 2008. After the oral presentations, the issuing officer communicated to each bidder the areas where the evaluation committee scored the bidder below average or areas in which additional information or clarification was needed. The bidders were informed that they could address these areas, if they so elected, by submitting additional information along with their best and final offers, which were due on March 21, 2008. Each bidder took the opportunity to submit additional information and a best and final offer.

Final Scoring

The committee met to reevaluate the various proposals in light of the information obtained through the oral presentations and the newly submitted material. Although the RFP did not require the committee to continue scoring the proposals after the competitive range determination, the committee elected to continue the scoring methodology in hopes that rescoring would assist in the decision-making process. As the committee went through the process of rescoring the consolidated bidder scores, it became obvious that two bidders, PSI and MAXIMUS, had significant eligibility and enrollment experience, whereas the other two bidders did not. The final tabulation of scores for the four bidders were as follows:

Grand Totals after oral presentations and BAFO			
Bidder	Cost Proposal Points	Technical Proposal Points	Total Points
Noridian	36.02	98.00	134.02
PSI	36.21	106.00	142.21
Maximus	37.28	104.00	141.28
HMS	50.00	89.75	139.75

Information obtained during the oral presentations revealed that although HMS presented a reasoned bid, the company personnel did not fully understand the complexities of eligibility determinations. In addition, HMS had little to no operational experience regarding the system proposed and little corporate institutional experience with SCHIP eligibility determinations. HMS stated that it is seeking to break into the SCHIP eligibility and enrollment area.

In terms of Noridian, the committee felt that the vendor would rely heavily on a sub-contractor, Infocrossing, for eligibility and enrollment determinations made through a proprietary mainframe system. Noridian offered no evidence that the Noridian and Infocrossing systems have been successfully implemented in the past as a framework for a complete SCHIP program. Finally, the evaluation committee noted that Noridian's sample reports provided with the bid lacked clarity and were not easily understood.

In the end, a perceived lack of real world experience addressing the types of issues that will arise in the *hawk-i* program negatively impacted the technical proposal scores of both Noridian and HMS. The evaluation committee felt that both HMS and Noridian were not well positioned to successfully implement a third party administrator program in the required timeframe.

The scores of the two remaining bidders, MAXIMUS and PSI, remained very close. Irrespective of the closeness of the score, the evaluation committee members universally felt that PSI represented the stronger candidate for the third-party administrator role and the best choice for this role in Iowa going forward. To understand that decision fully, it is best to first review the thoughts expressed regarding the current vendor, MAXIMUS.

MAXIMUS

The fact that MAXIMUS elected to voluntarily terminate the current *hawk-i* third party administrator contract and then rebid on the contract is a fact not lost on the evaluation committee. In addition, MAXIMUS has a history of receiving performance disincentives in the current *hawk-i* contract, but MAXIMUS was reticent to address this fact in its bid. The language

in this RFP required bidders to “describe any damages or penalties or anything of value traded or given up by the bidder under any of its existing or past contracts as it relates to services performed that are similar to the services contemplated by this RFP and the resulting Contract.” (Request for Proposal § 4.2.10.2.) MAXIMUS officials determined that this language did not require MAXIMUS to reveal the disincentives the company had received due to inadequate performance under the *hawk-i* contract arguing a distinction between “liquidated damages” and “penalties.” The committee did not agree with the position taken.

Without question, the evaluation committee perceived a corporate culture of placing of blame on prior management. During oral presentations, managerial staff were careful to note the old management {“they”} were the reason for failures, but current management {“we”} developed solutions to the problems.

PSI

PSI presented a strong bid from the start, but PSI’s oral presentation revealed extensive understanding of the Department’s needs and a strong willingness to work with the Department toward a common goal. Some of the intangibles revealed in that presentation include:

- Comprehensive integration of PSI system components that present a robust and user-friendly design;
- Broad-based integration of data in well thought-out workflow processes that support accurate and timely reporting to state users;
- Low turnover of employees within the organization;
- Accurate and timely execution of required process for eligibility determination and data reporting; and
- A perceived corporate culture of responsiveness and cooperative nature seen in oral presentations and in prior experience with the company.

The advantages of PSI’s technical solution became more evident through the oral presentations, and the committee elevated the bidders final technical score accordingly. At the same time, PSI officials were willing to openly discuss problems or negative events that have arisen in other contractual arrangements. The evaluation committee members universally perceived a definite goal of providing honest, direct responses absent of “spin,” which is evidence of a desirable corporate mentality.

Although the committee felt strongly about the unanimous decision it had reached, the committee took the additional step of checking references supplied by PSI. The State of Georgia provided a glowing recommendation, noting that the company currently accurately enrolls 99.5% of applicants in the state’s SCHIP program. PSI has been the third party administrator in the state for a number of years. State contracts in Georgia may only run for a maximum of five years, and the state staff were pleased that PSI was the successful bidder in the last competitive procurement. Likewise, the State of Tennessee provided a strong recommendation for the company noting as positives the company’s responsiveness and its passion for the program.

Conclusion

In closing, the evaluation committee unanimously recommends that the *hawk-i* Board accept the committee's recommendation and award the *hawk-i* third party administrator contract to Policy Studies, Inc.

Sincerely,

Randall Clemenson, Bureau Chief, Medical Services Systems and DHS Data Warehouse

Vicki McInroy, Program Planner, TANF-related programs

Bethany Mengel, Medicaid Program Manager

Anna Ruggle, *hawk-i* Policy Specialist